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Gavin Newsom

December 23, 2010

Supervisor John Avalos
Members, Board of Supervisors
San Francisco City Hall
1 Carlton B. Goodlett Place
San Francisco, California 94102

Dear Supervisors,

I am returning the ordinance pending in File Number 101311 unsigned. While I support increased work opportunities for our residents, I want to ensure that we are implementing a local hire policy that will be successful.

Supporting our local workforce and creating opportunities for individuals to enter – and to be trained to enter – the workforce have been key goals throughout my administration. And, we have made significant strides in this respect. In 2006, we passed legislation consolidating citywide workforce policy and programs under the Office of Economic and Workforce Development – a consolidation that we continue to implement with departments. Also in 2006, we launched CityBuild Academy, a workforce training program that is now the largest single contributor to construction jobs in San Francisco and accounts for 44% of new apprenticeships. The counterbalance to this important work has been to pursue an aggressive local economic stimulus program and to forward private development reforms to encourage capital construction and economic development, as all of these factors must move forward in parallel to achieve the ultimate goal of providing jobs.

I appreciate the work that has been done to forward the City's local hire policy. However, the City must consider local hiring goals alongside its mission to represent its residents by managing our resources and budget responsibly. The Controller's Office of Economic Analysis investigated the economic impact of this legislation over time. One of the resulting recommendations was that local hiring goals be tailored to the actual local supply of workers by trade. While an initial labor market analysis was completed prior to the passage of this legislation, the resulting data was not used in this respect; instead, the legislation sets blanket percentage goals beginning at 20% and ending at 50% in seven years. While I appreciate the modifications in the legislation to address several of the Controller's requests, more can be done. To this end, I am requesting the Controller's Office and the Office of Economic and Workforce Development to conduct a labor market analysis in two years versus the three required in the legislation. More importantly, I ask the Board to review the recommendations coming out of this analysis with a citywide perspective, and move forward with practicable goals by trade.

I also ask the Board to reconsider the practice of departments providing incentive payments (of up to 1% of the project award) for contractors meeting the local hire requirement of 50%. Instead, I encourage the Board to consider the alternative approaches, such as the approach proposed by the Controller.

In addition, while I know that this policy was put forward to replace our current "good faith" policy, it is important that we not underestimate the value and importance of good faith. Local hire policy is a complex arena that operates on a delicate balance. To speak plainly, the Board of Supervisors can pass any number of local hiring policies, but without a strong working relationship between construction departments, the Office of Economic and Workforce Development, and the trades, these efforts will be frustrated by implementation challenges and delay. We have been successful with citywide efforts –

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be it budget concessions or policy changes – by working in partnership with labor. It is important that we maintain this strong working relationship for the good of the City.

Finally, San Francisco must be a responsible regional steward of this program. Including provisions that provide some level of flexibility for regional projects is a first step. But for San Francisco to remain the regional leader it traditionally has been, there is much outreach to be done with our neighboring cities and counties who have expressed significant concern with the impact of this legislation on their local workforces. We cannot act in isolation in this time of economic challenge: providing work for residents is a shared challenge of Bay Area counties.

Listed below are critical next steps the City must take to ensure the responsible and successful implementation of this legislation:

1. The Office of Economic and Workforce Development (OEWD) should develop policies and procedures in the coming six months that clearly articulate how this legislation will be implemented and clarify the terms and processes that reside under OEWD's authority. Of particular interest are what constitutes a "specialty trade," and how apprenticeship targets will be set. This work should be done in close consultation with construction departments and contractors.
2. The Controller's office and OEWD should conduct the labor market analysis to be completed in two years (versus the three years required in the legislation). I recommend this study be undertaken every two years from this point forward.
3. Based on findings of the labor market analysis, the Controller and OEWD should make recommendations by trade regarding the local hiring requirements in year two and beyond to ensure that future local hire requirements are data-driven.
4. The City must conduct directed outreach with surrounding counties and cities to develop reciprocity agreements around local hire. OEWD should more closely assess the anticipated impact of this legislation on the local workforce within 70 miles of San Francisco and mitigate negative impacts as it develops its implementation policies.
5. OEWD must present a work plan for managing inquiries and review requests from local companies working to comply with this new policy.
6. OEWD must work with departments to ensure that the articulation of this policy in their applications for federal funding (which restrict local preferences) do not jeopardize the receipt of funds in any way, shape, or form.
7. I urge the Board to study the feasibility of the Controller's alternative incentive structure. At a minimum, I recommend the Controller conduct a cost benefit analysis of the incentive payment application within one year.

I know that the passage of this policy has created high expectations among some of the residents of San Francisco. The City owes it to them to implement this policy in a way that will result in a successful program that is fiscally responsible and reflects the best thinking of the many stakeholders invested in San Francisco.

Sincerely,

Gavin Newsom
Mayor

cc: Angela Calvillo, Clerk of the Board of Supervisors
Ben Rosenfield, Controller
Jennifer Matz, Director, Office of Economic and Workforce Development